

However, each Fund may make Bridge Investments which are not expected to be refinanced, in whole or in part, by a Mezzanine Investment. Such Bridge Investment would be in different levels of debt and equity securities than the related Mezzanine Investment. The Portfolio Company will be expected to refinance any portion of a Bridge Investment not retired by a Mezzanine Investment with financing obtained from third parties.

Temporary Investments:

Pending investment in Enhanced Yield Investments, each Fund will invest its available funds in U.S. Treasury securities, and/or certificates of deposit with maturities of less than one year, commercial paper (rated or unrated), repurchase agreements and other short-term securities ("Temporary Investments"). Although certain debt securities which constitute Temporary Investments may be unrated, Equitable Capital believes that the lowest rating that would be assigned by Standard & Poor's or Moody's, if rated, would be A. The characteristics of such rating are set forth in Appendix I. Each Fund expects that substantially all of its available funds will be invested in Enhanced Yield Investments by the end of such Fund's Investment Period (as defined below). However, depending on opportunities for investment, a significant portion of each Fund's capital may be invested in Temporary Investments during the Investment Period. See "Business Plan" below.

No Hostile Acquisitions:

As noted above, each Fund will only invest in friendly Leveraged Transactions. "Friendly" Leveraged Transactions are transactions not opposed by the board of directors of the business to be acquired or recapitalized, as the case may be. Equitable Capital will be responsible for determining whether a transaction is opposed by a board of directors. A Fund will not provide financing for a hostile tender offer or proxy contest, regardless

of whether such investment by such Fund would otherwise constitute an Enhanced Yield Investment. The Funds may, however, finance a bid approved by the board of directors of a company which is the subject of a competing hostile bid. The Funds' inability to finance a hostile transaction, while avoiding risks incident to such a transaction, may prevent it from investing in securities which would otherwise be suitable investments for them, thereby hindering the achievement of their investment objective.

Management:

The Investment Adviser. Equitable Capital will serve as investment adviser (the "Investment Adviser") to each Fund with the responsibility of identifying, managing and liquidating the Funds' portfolio investments, subject to certain guidelines and limitations described herein. Equitable Capital, an indirect wholly-owned subsidiary of The Equitable Life Assurance Society of the United States ("Equitable Life"), specializes in fixed income and equity portfolio management.

As of September 30, 1989, Equitable Capital had approximately \$37 billion in fixed income and equity assets under management. Equitable Capital is one of the leading participants in the market for Leveraged Transactions and other enhanced yield transactions and has extensive experience in such transactions. Equitable Capital is also the investment adviser to the Equitable Capital Partners I Funds, each of which is a business development company with the same investment objective as the Funds, and Equitable Deal Flow Fund, L.P. (the "Institutional Fund I"). Equitable Capital has organized a new institutional fund, Equitable Capital Private Income and Equity Partnership II, L.P. ("Institutional Fund II") which has an investment objective identical to that of the Funds. Equitable Capital also serves as an investment adviser to Institutional Fund II.

(Institutional Fund I and Institutional Fund II are referred to collectively herein as the "Institutional Funds"). Institutional Fund I and Institutional Fund II are each a limited partnership made available by private placement to institutional investors. The Institutional Funds invest in the types of securities that are the same as those constituting Enhanced Yield Investments. See "Equitable Capital Partners I Funds" and "The Institutional Funds" under "Management Arrangements"; see also "Competition for Investments" under "Risk and Other Important Factors -- General Risks of Investment in the Funds" and "Conflicts of Interest".

The Managing General Partner. Equitable Capital will act as managing general partner (the "Managing General Partner") of each Fund. Equitable Capital, as Managing General Partner, will have overall responsibility for the management of each Fund's business and administrative affairs.

The Administrator. For each Fund, Equitable Capital will enter into a separate administrative services agreement (together, the "Administration Agreements") with ML Fund Administrators Inc. (the "Administrator"), an affiliate of MLPF&S, the Selling Agent. The Administrator, pursuant to the Administration Agreements, will provide certain day-to-day administrative and operations management of the Funds and the accounts of the Limited Partners of the Funds. The Administrator will also coordinate investor relations services for the Funds on behalf of Equitable Capital. The Funds' investor relations representative is accessible at (800) 288-3694 during business hours.

The Independent General Partners. It is expected that each Fund will initially have four Independent General Partners who will be the same individuals for both Funds.

The Independent General Partners of a Fund will supervise such Fund generally and Equitable Capital in its role as Investment Adviser and Managing General Partner. Subject to the exemptive order referred to above, the Funds and the Equitable Capital Partners I Funds may initially share the same Independent General Partners. See "Management Arrangements -- The Independent General Partners".

Business Plan: Identifying Enhanced Yield Investments. Equitable Capital, as Investment Adviser to the Funds, is responsible for locating and developing investment opportunities for their benefit. Equitable Capital has developed relationships with many sponsors of leveraged transactions and has historically had access to transactions in excess of the investment capacity of Equitable Life and its affiliates. See "Risk and Other Important Factors -- Partnership and Contractual Risks: Relations with Sponsors of Leveraged Transactions". There can be no assurance, of course, that this level of access will continue in the future. To the extent Equitable Capital's access to Enhanced Yield Investments diminishes, the Funds' ability to become invested may be adversely affected.

The Funds are closed-end funds and each expects to make its initial Enhanced Yield Investments during the first three years from the date of the Final Closing (the "Investment Period") and have invested or "committed for investment" (i.e. made subject to a binding contractual commitment) 65% of its assets by the end of the two year period beginning on the effective date of this Prospectus (the "Interim Investment Period"). Any remaining Capital Contributions to a Fund which have not been initially invested or committed for investment in Enhanced Yield Investments within the Investment Period, to the extent not utilized or reserved for operating expenses or Follow On Investments, will be dis-

tributed to the Partners of such Fund as soon as practicable after the end of the Investment Period. The return of capital or any uninvested proceeds will be subject to deduction for all of the commissions, fees and expenses imposed on investor funds that were either invested or not returned. However, any net offering proceeds invested in Enhanced Yield Investments which are liquidated during the Investment Period, at the option of the Managing General Partner, may be reinvested in Enhanced Yield Investments within the period ending on the later of the end of the Investment Period or the twelve-month period following such liquidation (the "Reinvestment Period"). Any portion of such proceeds not so reinvested or "committed for reinvestment" (i.e. made subject to a binding contractual commitment), to the extent not utilized or reserved for expenses or Follow On Investments, will be distributed to such Partners as soon thereafter as practicable. Further, if after the Interim Investment Period, less than 65% of a Fund's assets has been invested or committed for investment in Enhanced Yield Investments, such Fund will make a distribution of capital to its Partners (or, in the case of the Enhanced Yield Fund II, may pay down outstanding debt) so that, after such distribution (or repayment), at least 65% of all remaining assets is invested or committed for investment in Enhanced Yield Investments.

Portfolio Companies; Managed Companies and Non-Managed Companies. Each Fund will make Mezzanine and Other Investments in Portfolio Companies consisting of "Managed Companies" and "Non-Managed Companies". For each Fund, a Managed Company is a Portfolio Company to which such Fund offers to provide and, if accepted, provides significant managerial assistance. See "Investment Objective and Policies -- Managed Company Transactions".

With respect to any Fund, a Non-Managed Company is a Portfolio Company to which such Fund does not offer to provide significant managerial assistance.

Under the Investment Company Act, a Fund may not invest in a Non-Managed Company unless, at the time such investment is made, at least 70% of such Fund's assets are invested in Managed Companies and in certain qualified Temporary Investments. See "Investment Objective and Policies -- Managed Company Transactions" and "Regulation -- Investment Company Act".

Guidelines. The Independent General Partners and Equitable Capital have approved certain guidelines (the "Guidelines") for Mezzanine Investments and Other Investments in Managed and Non-Managed Companies. For a full description of the Guidelines see "Managed Company Transactions" and "Non-Managed Company Transactions" under "Investment Objective and Policies".

The Independent General Partners of a Fund must approve such Fund's purchase of a Mezzanine Investment or Other Investment in advance by determining either that such investment meets the Guidelines, or, if it does not meet the Guidelines, that the proposed terms of the transaction, including the consideration to be paid by each party thereto, are reasonable and fair to such Fund and that the proposed transaction is consistent with its investment objective and policies, does not involve overreaching by any party to the transaction and is consistent with the interests of the Limited Partners of such Fund. All Bridge Investments must be approved by the Independent General Partners in the same manner, and are subject to the same standards as Mezzanine Investments and Other Investments that do not meet the Guidelines.

The Guidelines have been designed based on the current and overall returns currently sought by Equitable Capital in negotiating and purchasing investments similar to Mezzanine Investments and Other Investments, including such investments for the Equitable Capital Partners I Funds. The Guidelines are intended to be flexible to adapt to changing market conditions and can be modified with respect to a Fund only with the approval of such Fund's Independent General Partners and the SEC. There can be no assurance that Enhanced Yield Investments meeting the Guidelines will be available to Equitable Capital and the Funds for investment, nor can there be any assurance that Enhanced Yield Investments meeting the Guidelines will actually yield the returns set forth in the Guidelines. Moreover, as stated above, Enhanced Yield Investments which do not meet the Guidelines may be acquired with the approval of the Independent General Partners. Consequently, there can be no assurance as to what proportion of the Enhanced Yield Investments of either Fund will meet the Guidelines.

The Guidelines for Managed Companies require, among other things, that if an Equitable Affiliate invests in an Enhanced Yield Investment in which a Fund also invests, such Fund will hold securities of every class issued by the Portfolio Company that is acquired by such Equitable Affiliate in the same proportions as such Equitable Affiliate (except with respect to loan participations in senior bank debt). The terms of such purchases will be identical in all material respects. The Guidelines also require that each Mezzanine or Other Investment must have a projected minimum all-in-yield, including the proceeds projected to be generated upon the sale of any equity component but excluding certain purchases of senior and senior subordinated debt, of 750 basis points in excess of the Merrill Lynch High Yield

Master Index. The Guidelines further provide that each Mezzanine and Other Investment must have a minimum projected coupon and dividend yield as well as a minimum projected current cash return and an equity component.

All of the Guidelines applicable to Managed Companies are applicable to investments in Non-Managed Companies. In addition, the Guidelines require that the Funds may not purchase, in the aggregate, more than 50% of a Mezzanine or Other Investment issued by a Non-Managed Company and that at least 25% of each class of security constituting part of such a Mezzanine or Other Investment purchased by a Fund must be purchased by one or more substantial institutional investors, which may be Equitable Affiliates.

Follow On Investments. Following an initial investment in an Enhanced Yield Investment, each Fund may have the opportunity to provide additional funds to a Portfolio Company in order to preserve such Fund's proportionate ownership when a subsequent financing is planned or to protect the Fund's investment when such Portfolio Company's cash flow does not meet expectations, or a Fund may have the opportunity to increase its investment in a successful Portfolio Company (a "Follow On Investment"). Each Follow On Investment will be allocated, as a general matter, to the Funds and Equitable Affiliates according to the amount that each such investor initially invested in Mezzanine, Bridge or Other Investments in a Portfolio Company. Such investment may be made by purchasing newly issued debt and/or equity securities or by exercising rights under securities acquired (such as warrants) upon making the initial Enhanced Yield Investment. See "Need for Follow On Investments" under "Risk and Other Important Factors -- General Risks of Investment in the Funds".

If an Enhanced Yield Investment, taking into account any proposed Follow On Investment, continues to satisfy the requirements of the Guidelines, Equitable Capital will certify to that effect to the Independent General Partners before a Fund makes such a Follow On Investment. If the Enhanced Yield Investment, taking into account the Follow On Investment, does not meet the Guidelines or satisfy the allocation requirement referred to above, the Follow On Investment will be subject to prior approval by the Independent General Partners using the same standards as will be used to evaluate Mezzanine and Other Investments that do not meet the Guidelines.

Liquidation of Enhanced Yield Investments. Based upon factors such as a Portfolio Company's subsequent performance, its value, financial market opportunities and the regulatory and other restraints under which the Funds will operate, Equitable Capital may determine to liquidate an Enhanced Yield Investment. In certain cases, a Fund may liquidate only certain classes of securities held as part of an Enhanced Yield Investment. For example, it may sell common stock in a Portfolio Company while retaining the subordinated debt or preferred stock portion of such investment which may be liquidated at a later time, or may be held and paid down through normal amortization in accordance with its terms.

The Funds will dispose of securities held by them on a proportionate basis, and on the same terms and conditions (a "lock-step" disposition) with each other. If a Fund or any Equitable Affiliate proposes to dispose of any security purchased in a coinvestment by such Fund with an Equitable Affiliate, each Fund or any Equitable Affiliate holding such security will participate in the sale of such security on a lock-step basis unless Equitable Capital

recommends to each Fund that it not participate in such a sale or not participate on a lock-step basis. If Equitable Capital does not recommend a lock-step disposition, then notice of the proposed sale will be given to the Independent General Partners of each Fund who will determine whether such Fund should participate in such sale and whether such participation, if approved, will be a lock-step disposition or on some other basis.

Risks:

The purchase of Units involves a number of significant risk factors. Enhanced Yield Investments involve a high degree of business and financial risk that can result in substantial losses. The Funds will be investing in speculative securities which generally will be unrated and would not be investment grade if rated. Equitable Capital believes that, if rated, the lowest rating that would be assigned would be B, according to Standard & Poor's or Moody's. The characteristics of such rating are set forth in Appendix I. Further, the investment policies and restrictions of each Fund permit its capital to be invested in a relatively limited number of Portfolio Companies (however, in no fewer than eight in the event such Fund becomes fully invested in Mezzanine and Other Investments), thus potentially exposing it to a greater risk of loss than would be the case if the Fund diversified into more investments. See "Risk and Other Important Factors". Prospective investors should also see the information set forth under "Conflicts of Interest". Bridge Investments may involve even more substantial risks due to the potential inability to obtain take-out financing.

The Funds anticipate that the Portfolio Companies will be highly leveraged, and generally may be expected to have a total debt to equity ratio in excess of 5:1. In the event that any such Portfolio Company cannot generate adequate cash flow to meet

debt service, all or part of the principal of such company's debt may not be repaid, and, in such event, the value of a Fund's equity participation will be diminished as well. The Enhanced Yield Fund II, but not the Enhanced Yield Retirement Fund II, has authority to borrow funds to increase the amount of capital available for investment. While Equitable Capital now anticipates "leveraging" the Enhanced Yield Fund II with borrowings amounting to 50% of Net Proceeds Available for Investment, there can be no assurance that debt financing will be available on terms that Equitable Capital considers to be acceptable and in the best interests of the Enhanced Yield Fund II. The inability of the Enhanced Yield Retirement Fund II to leverage and the possible unavailability of leverage to the Enhanced Yield Fund II might limit the degree of diversification of Enhanced Yield Investments and spreading of risks. The use of leverage would exaggerate increases or decreases in the Enhanced Yield Fund II's net asset value and increase the sensitivity of such Fund to adverse developments.

Since mezzanine debt typically does not bear interest at a floating rate, as does senior debt, increased interest rates would shift more of the company's funds to the senior lenders and less to the subordinated mezzanine lender, thus decreasing the level of realization on the Funds' investments.

The effects of a recession, labor problems, casualty losses, and other problems may have a more pronounced effect on the profitability of a highly leveraged company.

The arrangements among the Funds and Equitable Capital and its affiliates may be subject to various conflicts of interest in such parties' relationships with the Funds. The conflicts of interest include transac-

tions with the Funds, investment opportunities, ability to enforce rights as a creditor, allocation of management time and services, timing of disposition of Fund investments, timing of repayment of debt financing, and lack of separate representation. See "Conflicts of Interest".

The Units are illiquid securities. There is no public market for the Units and there are restrictions contained in the Partnership Agreement of each Fund which are intended to prevent the development of a public market. Such transfers of Units as are permitted will only be recognized quarterly. See "Risk and Other Important Factors" and "Transferability of Units".

In addition, investments in limited partnerships involve certain structural risks and tax risks. See "Risk and Other Important Factors" and "Certain Federal Income Tax Considerations".

Distributions:

Current Returns. All cash dividends, interest and other income received by a Fund in excess of expenses of operation and reserves for expenses and Follow On Investments will be distributed to the Limited Partners of such Fund and to Equitable Capital, as the Managing General Partner, quarterly, within 45 days after the end of each calendar quarter, as follows:

(a) From Enhanced Yield Investments,

first, 99% to the Limited Partners of such Fund and 1% to the Managing General Partner, until such Limited Partners, as a class, have received from cumulative distributions from Enhanced Yield Investments then or theretofore made by such Fund (other than as a return of capital), an amount equal to the sum of (i) an aggregate return (cumulative but not compounded) of 10% per annum on the average daily amount of their Gross Capital Contributions represented by Enhanced Yield

Investments (the "Priority Return"), and (ii) any outstanding Compensatory Payment (as defined below),

second, 70% to such Limited Partners and 30% to the Managing General Partner (29% being an "Incentive Distribution") until the Managing General Partner has received from all distributions with respect to Enhanced Yield Investments (defined below) then or theretofore made by such Fund (other than as a return of capital), an amount equal to 20% of all such distributions, except that if there are any outstanding Deferred Distribution Amounts (defined below), such distribution will, to the extent permitted by the Partnership Agreement, first be made solely to the Managing General Partner until such amount is distributed to it, and

third, thereafter, 80% to such Limited Partners and 20% to the Managing General Partner (19% being an Incentive Distribution).

(b) From all other sources (other than as a return of capital), 99% to such Limited Partners and 1% to the Managing General Partner.

Capital Transactions. All proceeds from the disposition of Enhanced Yield Investments and Temporary Investments by a Fund, including distributions of returns of capital from investments, and, in the case of the Enhanced Yield Fund II, any proceeds of any financing ("Capital Transactions"), that are not utilized or reserved for Follow On Investments and, prior to the expiration of any remaining Reinvestment Period with respect to Enhanced Yield Investments liquidated in the Investment Period, for Enhanced Yield Investments, or used to pay, or reserved for the payment of, outstanding debts or expenses of such Fund, will be distributed as soon as prac-

licable after such Capital Transactions as follows:

(a) From Enhanced Yield Investments,

first, 99% to the Limited Partners of such Fund and 1% to the Managing General Partner, until such Limited Partners, as a class, have received from cumulative distributions from Enhanced Yield Investments, an amount equal to the sum of (i) the Priority Return and (ii) any outstanding Compensatory Payment,

second, to the Managing General Partner and the Limited Partners, as a class, of such Fund in proportion to their respective "Net Capital Contributions" (Capital Contributions net of selling commissions, financial advisory fees, marketing and sales expenses and organizational and offering expenses paid by such Fund) until the Limited Partners of such Fund, as a class, have received from cumulative distributions from Enhanced Yield Investments the portion of their Net Capital Contributions represented by Enhanced Yield Investments then or theretofore liquidated and not reinvested plus an amount equal to the sum of (i) the Priority Return and (ii) any outstanding Compensatory Payment, except that if there are any outstanding Deferred Distribution Amounts, such distribution will, to the extent permitted by the Partnership Agreement, first be made solely to the Managing General Partner until such amount is distributed to it,

third, 70% to such Limited Partners and 30% to the Managing General Partner (29% being an Incentive Distribution), until the Managing General Partner has received from all distributions made by such Fund with respect to Enhanced Yield Investments, then or theretofore made, 20% of all such distributions (other than as a return of capital), and

fourth, thereafter, 80% to such Limited Partners and 20% to the Managing General Partner (19% being an Incentive Distribution).

(b) From all other sources,

first, to the Managing General Partner and the Limited Partners, as a class, of such Fund in proportion to their respective Net Capital Contributions until the Limited Partners of such Fund, as a class, have received from cumulative distributions other than distributions from Enhanced Yield Investments the portion of their Net Capital Contributions represented by Temporary Investments then or theretofore liquidated and not reinvested, and

second, 99% to such Limited Partners and 1% to the Managing General Partner.

For purposes of the distributions described above, with respect to a Fund, "Net Capital Contributions represented by Enhanced Yield Investments" is the amount of such Fund's capital invested in Enhanced Yield Investments multiplied by the fraction of its total Available Capital (including, with respect to the Enhanced Yield Fund II, capital supplied by borrowing) represented by Capital Contributions from the Limited Partners of such Fund. "Gross Capital Contributions represented by Enhanced Yield Investments" is such amount grossed up for the related selling commissions, financial advisory fees and the full amount of any discount in selling commissions, financial advisory fees, marketing and sales expenses and organizational and offering expenses of the Fund.

In addition, to the extent that making any distributions from the proceeds of any Capital Transaction would result in Equitable Capital's receiving cumulative distributions from a Fund relating to the disposition of Capital Transactions in

excess of 20% of the cumulative capital gains realized by such Fund (net of realized capital losses and unrealized net capital depreciation), such distribution will instead be deferred (the "Deferred Distribution Amount").

Distributions to Limited Partners of a Fund will be allocated among such Limited Partners in proportion to the respective number of Units held by such Limited Partners of such Fund.

If a Fund holds more than one closing for the sale of Units (see "Offering and Sale of Units"), net income and capital gains from investments earned by a Fund subsequent to a closing and before the next closing will be distributed among the Partners of the Fund as of the time such income was earned or realized. Prior to the admission of any new Limited Partners to a Fund, to the extent cash is available for distribution, the Fund will distribute to the existing Limited Partners all realized income and gain. In addition, to the extent the per Unit capital accounts of Limited Partners of a Fund whose Units were purchased at different Closings differ in amount, one or more special cash distributions to certain Partners may be made to equalize the per Unit capital accounts of all Limited Partners of such Fund. See "Distributions and Allocations". As soon as possible after a Fund's termination, Equitable Capital or a liquidating trustee will liquidate such Fund and its Partners will receive a liquidating distribution of the remaining assets of such Fund based upon their allocable share thereof.

All cash distributions to Limited Partners whose subscriptions were solicited by MLPF&S will be credited to such Limited Partners' customer securities accounts maintained with MLPF&S. Other Limited Partners will have, and Limited Partners who choose not to have their distributions

credited to their accounts will be given, the opportunity to instruct the Administrator to have distributions sent to them directly.

**Allocation of
Profits and
Losses:**

Profits and Losses for tax purposes will be determined and allocated as of the end of each calendar year. Profits and Losses will be allocated first to reflect cash distributions made or scheduled to be made (other than as to distributions of capital), and thereafter in a manner designed to reflect cash distributions projected to be made. See "Distributions and Allocations".

Because it is not anticipated that either Fund will be treated as engaged in a trade or business for purposes of the passive activity loss rules, Profits and Losses for tax purposes are not expected to generate passive activity income or losses under these rules. Therefore, a prospective investor should not invest in either Fund with the expectation of using the income or gain derived therefrom to offset losses from passive activities. See "Certain Federal Income Tax Considerations".

**Fees and
Expenses
Payable by
the Funds:**

The Funds will pay offering and organizational expenses in connection with this offering in an amount not to exceed \$6,000,000 in the aggregate for both Funds or, together with the amount of the selling commissions, financial advisory fees and marketing and sales expense reimbursement payable to MLPF&S, 15% of the total offering proceeds of each Fund, and will reimburse Equitable Capital, the Administrator and their affiliates for such expenses paid on behalf of the Funds. Any organizational and offering expenses of the Funds in excess of this amount will be paid by Equitable Capital or an affiliate. The Funds will also pay actual marketing and sales expenses of MLPF&S in connection with this offering in an amount not to exceed 1% of the public offering price of the Units

sold. Offering and organizational expenses and marketing and sales expenses will be allocated between the Funds in proportion to the number of Units sold by each Fund. Such expenses will be accrued on the books or paid by the Funds at each closing of the sale of Units.

Following commencement of the Funds' operations, Equitable Capital, as the Managing General Partner, will receive a quarterly administrative fee (the "Fund Administration Fee") from each Fund equal to an annual amount equal to the greater of (x) 1% of the gross offering price of the Units in such Fund but not greater than \$500,000 (the "Minimum Fee") and (y) .45% of the amount of Net Proceeds Available for Investment (as defined under "Estimated Use of Proceeds"), of such Fund subject to certain adjustments after the fourth year of operations. Assuming gross offering proceeds of \$50,000,000 for each Fund and Net Proceeds Available for Investment of \$44,375,000, the total Fund Administration Fee for both Funds would be \$1,000,000, or approximately 1 1/8% of aggregate Net Proceeds Available for Investment, plus certain reimbursements and subject to certain adjustments after the fourth year of operations. The Fund Administration Fee will be calculated and paid quarterly in advance. Equitable Capital, as the Managing General Partner, will be responsible for all ordinary administrative expenses, including annual ordinary legal expenses up to \$100,000. Annual ordinary legal fees in excess of \$100,000, extraordinary fees and expenses and certain expenses of insurance and bonding will be borne by the Funds.

The Fund Administration Fee payable by each Fund will be assigned to the Administrator for its services under each Administration Agreement. Pursuant to the Administration Agreements, the Administrator will be responsible, on behalf of Equitable Capital, for the payment of all ordinary

operating expenses of the Funds, including payment of the fees and expenses of the Funds' custodian and their independent accountants but excluding annual ordinary legal fees in excess of \$100,000 and extraordinary fees and expenses referred to above. The Administrator, on behalf of Equitable Capital, will provide the Funds, at the Administrator's expense, with office space, equipment and personnel.

Pursuant to investment advisory agreements between Equitable Capital and each Fund (the "Investment Advisory Agreements"), each Fund will pay a quarterly fee (an "Investment Advisory Fee") at the annual rate of 1% of such Fund's Available Capital, with a minimum annual payment of an amount determined by multiplying \$2,000,000 by a fraction, the numerator of which is the number of Units outstanding of such Fund and the denominator of which is the aggregate number of Units of both Funds, subject to reduction for any amounts distributed by such Fund to Equitable Capital, as Managing General Partner, from Temporary Investments and for a portion of certain deductible fees, as described below. Assuming gross offering proceeds of \$50,000,000 for each Fund and Net Funds Available for Investment (i.e., Available Capital) of \$66,562,500 and \$44,375,000 for the Enhanced Yield Fund II and the Enhanced Yield Retirement Fund II, respectively, the total Investment Advisory Fee for both Funds would be \$2,000,000, or approximately 1.50% and 2.25% of Net Funds Available for Investment for each respective Fund, subject to certain reductions and plus certain reimbursements. The Investment Advisory Fee will be calculated and paid quarterly in advance.

Equitable Capital, in the course of arranging and negotiating Leveraged Transactions, expects to receive certain transaction, commitment, "break-up" and similar fees

from Portfolio Companies or potential borrowers. The Investment Advisory Fee payable by a Fund to Equitable Capital will be reduced by an amount equal to 80% of any such fees allocable to securities purchased by such Fund or to commitments for the purchase of securities issued by such Fund.

Equitable Capital will bear the ordinary operating expenses of each Fund relating to such Fund's portfolio investments, including the expenses of investigating investment opportunities, arranging and financing Enhanced Yield Investments and monitoring Portfolio Companies. Each Fund will incur its pro rata share of all expenses of third parties, such as legal counsel, appraisers and independent business consultants, hired or used by Equitable Capital in connection with the investigation, negotiation, purchase, holding and sale of Enhanced Yield Investments and any registration fees incurred in connection with any such sale to the extent such costs are not, as is typically the case, paid by the Portfolio Company. See "Management Arrangements -- Expenses".

Transferability of Units: Interests in each Fund will be accounted for on the books of such Fund in accordance with Delaware law.

The Units are illiquid securities. There is no public market for the Units and there are restrictions contained in the Partnership Agreement relating to each Fund which are intended to prevent the development of a public market. See "Risk and Other Important Factors". Transferability of any Unit in either Fund is also subject to certain restrictions as to the suitability of the transferee. In addition, Units in the Enhanced Yield Fund II may not generally be purchased or otherwise acquired by or on behalf of a Tax-Exempt Investor. Furthermore, Equitable Capital, as Managing General Partner, has the authority to amend the transferability provisions of either

Partnership Agreement to the extent necessary (and, in the case of the Enhanced Yield Fund II, to the extent desirable) to preserve the tax status of a Fund, to meet certain regulatory policies or, in the case of the Enhanced Yield Retirement Fund II, to preserve certain exemptions under ERISA. See "Transferability of Units", "Summary of the Partnership Agreement" and "Certain Federal Income Tax Considerations".

Terms of the Offering:

This offering will terminate no later than September 30, 1990, or such subsequent date not later than May 31, 1991 as MLPF&S, Equitable Capital and the Funds may determine (the "Termination Date"), except that unless acceptable subscriptions for 75,000 Units in the Funds are received by the Termination Date, no Units in either Fund will be sold, and all funds received from investors with respect to the Funds will be refunded promptly. In the event that by the Termination Date Units for both Funds in the aggregate equal in number to or in excess of 75,000 have been subscribed for but that fewer than 25,000 Units have been subscribed for with respect to a Fund, the Units in such Fund will not be sold and funds received from investors with respect to such Fund will be refunded promptly. If, after deducting such Units from the aggregate amount sold, fewer than 75,000 Units have been subscribed for in the other Fund, such other Units will also not be sold and funds received with respect thereto will be refunded.

If acceptable subscriptions for at least 75,000 Units in the Funds (after taking into account the per Fund minimum of 25,000 as described above) are received by the Termination Date, and the other conditions precedent to closing are met, there will be at least one and there may be additional closings of the sale of Units in the Funds (each, a "Closing") at such times, and for such number of Units, as the Funds and MLPF&S deem appropriate; provided, however,

that the first Closing will take place for no fewer than 75,000 Units and, with respect to the initial Closing of any Fund, for no fewer than 25,000 Units and the Final Closing for a Fund will take place no later than 15 business days after the Termination Date. There can be no assurance that there will be more than one Closing. The other conditions to any Closing include the receipt by the Funds by the initial Closing of an exemptive order from the SEC concerning coinvestments with Equitable Affiliates, the receipt at each Closing by the escrow agent of full payment of the purchase price of the Units being sold at such Closing, the delivery at each Closing by Equitable Capital of its capital contribution to each Fund required by the Partnership Agreement and the delivery or reaffirmation at each Closing by Debevoise & Plimpton, counsel to the Funds, of an opinion as to certain tax matters. At each Closing for a Fund, subscriptions will be accepted and investors will be admitted to such Fund as Limited Partners of such Fund.

For investment purposes and on the same terms and conditions as other investors, Equitable Capital, MLPF&S or affiliates thereof may subscribe for up to 10,000 Units (but not, with respect to a Fund, for more than 15% of the Units subscribed for in such Fund) in order to satisfy the 75,000 Unit minimum. Equitable Capital, MLPF&S and certain affiliates or related persons will not pay a sales commission or financial advisory fee in connection with any purchase of Units.

Equitable Capital, MLPF&S and the Funds may decide to stop accepting subscriptions for Units at any time after subscriptions for at least 75,000 Units and not more than 100,000 Units have been received. See "Offering and Sale of Units".

All payments for subscriptions must be made: (1) for subscriptions solicited by

MLPF&S, by authorization to MLPF&S for debiting of the subscriber's customer securities account; (2) for subscriptions solicited by Selected Dealers, by check payable to the order of "Security Pacific National Trust Company (New York) -- Escrow Agent"; and (3) as an alternative to (1) and (2) above, for subscriptions from institutional purchasers, in the discretion of MLPF&S, by wire transfer of immediately available funds to "Security Pacific National Trust Company (New York) -- Escrow Agent". All checks received by any Selected Dealers will be placed promptly in the escrow account. Each subscriber who authorizes MLPF&S to debit his, her or its customer securities account will be notified of the settlement date therefor which will occur not later than five business days following notification to MLPF&S of the acceptance of the subscription and not later than the Termination Date. Each subscriber whose account will be debited must have the subscription payment in his, her or its account on the specified settlement date and each such account will be debited on the settlement date and the funds debited therefrom placed in the escrow account. A subscriber's payment will be promptly returned in full, together with such subscriber's pro rata share of any net interest earned thereon, if such subscription is not accepted by a Fund. After the initial Closing, and pending any subsequent Closing, investors' funds may not be held in escrow longer than 60 days. See "Offering and Sale of Units".

**Investor
Suitability
Standards:**

Each Fund has adopted, as a minimum investor suitability standard, the requirement that each subscriber for Units (a) have a net worth (exclusive of home(s), home furnishings and personal automobiles) of not less than \$150,000 in excess of the price of Units subscribed for, or (b) have a net worth (exclusive of home(s), home furnishings and personal automobiles) of

not less than \$60,000 in excess of the price of Units subscribed for, and expect to have in the current and next three taxable years, gross income from all sources in excess of \$60,000, provided that in the case of sales to fiduciary accounts, the suitability standard shall be satisfied by the fiduciary, the fiduciary account or by the person who directly or indirectly supplies the funds for the purchase of Units. Residents of certain states will be required to meet the suitability standards established by those states. See "Offering and Sale of Units -- Investor Suitability Standards" and Exhibit C to this Prospectus.

**How to
Subscribe:**

(1) MLPF&S may allow its customers to subscribe without executing the Subscription Qualification and Acceptance Page; however, Selected Dealers and, in some states, MLPF&S will require the prospective investor to complete, date and deliver to the investor's MLPF&S Financial Consultant or a Selected Dealer two copies of a Subscription Qualification and Acceptance Page attached as part of the Subscription Agreement which is attached as Exhibit B to this Prospectus.

(2) The prospective investor must
(a) assure that his, her or its account with MLPF&S contains or will contain cash or other good funds on the specified settlement date, (b) deliver to a Selected Dealer a check payable to the order of "Security Pacific National Trust Company (New York) -- Escrow Agent", in the amount of \$1,000 (or the discounted amount in the case of purchases of 500 or more Units or by certain affiliates or related persons of Equitable Capital or MLPF&S) for each Unit that the prospective investor desires to purchase or (c) for an institutional investor, in the discretion of MLPF&S, transfer by wire immediately available funds to "Security Pacific National Trust Company (New York) -- Escrow Agent", in

each case, as adjusted to reflect any increase or decrease in the public offering price based on changes in the net asset value of Units after the initial Closing.

(3) Tax-Exempt Investors generally may only subscribe for Units in the Enhanced Yield Retirement Fund II. All other investors may only subscribe for Units in the Enhanced Yield Fund II.

Subject to acceptance of the investor's subscription for Units, payment for such Units purchased by authorizing MLPF&S to debit the investor's customer securities account or by delivery of a check to the investor's Selected Dealer, or as to institutional investors, in the discretion of MLPF&S, by wire transfer of funds, shall constitute the investor's agreement to the terms and conditions of the Subscription Agreement and the Partnership Agreement of such Fund and the authorization of the Managing General Partner of such Fund to execute the Subscription Agreement and the Partnership Agreement of such Fund on behalf of the investor.

Defined Terms: All capitalized terms not otherwise defined in this Prospectus have the meanings set forth in the form of Partnership Agreement which is attached as Exhibit A to this Prospectus.